UNITED NATIONS

Framework Convention on Climate Change

Distr.
GENERAL

FCCC/CP/2001/8
16 October 2001

ENGLISH, FRENCH AND SPANISH ONLY

CONFERENCE OF THE PARTIES
Seventh session
Marrakesh, 29 October – 9 November 2001
Item 6 of the provisional agenda

REPORT OF THE GLOBAL ENVIRONMENT FACILITY TO THE CONFERENCE

Note by the secretariat

1. The Conference of the Parties (COP), by its decision 12/CP.2, [1] adopted and thereby brought into force a Memorandum of Understanding (MOU) between the COP and the Council of the Global Environment Facility (GEF).[2] The MOU provides, *inter alia*, that annual reports of the GEF be made available to the COP through the secretariat.

2. In response to that provision, the GEF secretariat has submitted the attached report, which is reproduced without formal editing.

3. The MOU further provides that, in accordance with Article 11.1 of the Convention, the COP will, after each of its sessions, communicate to the GEF any policy guidance approved concerning the financial mechanism.

[1] FCCC/CP/1996/15/Add.1.
[2] FCCC/CP/1995/7/Add.1.

Annex

Global Environment Facility

September 21, 2001

REPORT OF THE GEF
TO THE SEVENTH SESSION OF THE CONFERENCE OF THE PARTIES
TO THE UNITED NATIONS
FRAMEWORK CONVENTION ON CLIMATE CHANGE

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I. Introduction

1. The *Memorandum of Understanding Between the Conference of the Parties to the United Nations Framework Convention on Climate Change and the Council of the Global Environment Facility* [1] provides that the GEF will report to the Conference of the Parties on all GEF-financed activities carried out in implementing the Convention. In particular, paragraph 7 provides:

> In its reporting on GEF-financed activities under the financial mechanism, the GEF should include specific information on how it has applied the guidance and decisions of the COP in its work related to the Convention. This report should be of a substantive nature and incorporate the program of GEF activities in the areas covered by the Convention and an analysis of how the GEF, in its operations related to the Convention, has implemented the policies, program priorities, and eligibility criteria established by the COP. In particular, a synthesis of the different projects under implementation and a list of the projects approved by the Council in the climate change focal area as well as a financial report with an indication of the financial resources required for those projects should be included. The Council should also report on its monitoring and evaluation activities concerning projects in the climate change focal area.

2. This report has been prepared for the seventh session of the Conference of the Parties to the UN Framework Convention on Climate Change. It covers the period from July 1, 2000 to June 30, 2001 (GEF Fiscal Year 2001). This report describes GEF activities approved by the Council during the reporting period in the areas covered by the Convention. For easier reference, a list of reports previously provided by the GEF Council to the Conference of the Parties is included in the Annex A. These reports contain information on GEF activities in prior years.

3. The Parties' attention is also drawn to the following GEF publications which the GEF will make available to the seventh session of the Conference of the Parties to supplement the information contained in this report:

(a) *Global Environment Facility 2000 Annual Report* (available in English, French, and Spanish);

(b) *Operational Report on GEF Programs*, June 2001 (available in English)[2];

(c) *Project Performance Report 2000* (available in English, French, and Spanish); and

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[1] See Decision 12/CP.2 (FCCC/CP/1996/15/Add.1), *Memorandum of Understanding between the Conference of the Parties and the Council of the Global Environment Facility* and Decision on Agenda Item 11, *Joint Summary of the Chairs of the GEF Council Meeting*, April/May 1997.

[2] This report provides a listing of projects approved in the climate change area as well as a financial report with an indication of the financial resources required for those projects.

(d) *Climate Change Program Study* (Executive Summary available in English, French and Spanish).

II. Project Activities in the Climate Change Area

4. The GEF, as the financial mechanism of the Convention, provides financing for activities consistent with the policies and program priorities established by the Conference of the Parties to the financial mechanism. GEF-financed activities are managed through its three Implementing Agencies: UNDP, UNEP and the World Bank. In the reporting period, the following GEF financing was allocated for project activities in the climate change area.

Table 1: Project Financing in the Climate Change Area (July 2000 - June 2001)

Type of activity	Number of activities	GEF financing (in US$ millions)	Co-financing (in US$ millions)	Total financing (in US$ millions)
Project preparation	23	6.7	4.17	10.87
Enabling activities	36	5.67		5.67
Medium/Full projects	33	184.67	616.39	801.06
Total	92	**197.04**	**620.56**	**817.60**

5. As indicated in Table 1, the GEF allocation in the area of climate change was US$197 million in grant financing out of total project costs of US$ 817 million. Approximately US$621 million was leveraged in co-financing for the project activities from the Implementing Agencies, bilateral agencies, recipient countries, and the private sector.

6. Since the establishment of the GEF as a pilot program in 1991, approximately US$1.3 billion was provided in grants from the GEF Trust Fund out of a total of US$ 8.2 billion allocated to climate change activities. An additional US$6.9 billion was contributed through co-financing. A complete listing of GEF project activities in the climate change area is contained in the June 2001 *Operational Report on GEF Programs*, which is available to the seventh session of the Conference of the Parties. A synthesis of the different projects under implementation in the area of climate change is included in Annex B to this report. Of the US$ 1.3 billion cited above, approximately US$1.17 billion was for projects in non-Annex-I countries, while US$0.13 billion was allocated to Annex I countries undergoing the process of transition to a market economy. When the GEF provides assistance to the latter, it

ensures that such assistance is fully consistent with the guidance provided by the Conference of the Parties to the UNFCCC.[3]

7. Often, as a first step in project development, the GEF provides financing through its Project Preparation and Development Facility to assist recipient countries to develop a project concept into a project proposal. Table 2 lists 23 GEF project preparation activities approved during the reporting period.

Table 2: Project Preparation Activities*
(July 2000 - June 2001)

COUNTRY	PROJECT NAME	IMPLEMENTING AGENCY	GEF FINANCING (IN US$ MILLIONS)	TOTAL FINANCING (IN US$ MILLIONS)
Global	Capacity-building for Improving National Greenhouse Gas Inventories	UNDP	0.30	0.34
Global (Europe and Commonwealth of Independent States)	Capacity-building for Improving National Greenhouse Gas Inventories	UNDP	0.34	0.38
Global (Pacific and Africa)	Capacity-building for Observation Systems for Climate Change	UNDP	0.32	0.34
Regional (Central America)	Capacity-building for Stage II Adaptation to Climate Change	UNDP	0.30	0.34
Regional (Central America)	Accelerating Renewable Energy Investments through Central American Bank for Economic Integration in Central America	UNDP	0.10	0.22
Belarus**	Reducing Barriers to Greenhouse Gas Emissions Mitigation through the Use of Wood Waste for Municipal Heat and Hot Water Supply	UNDP	0.25	0.38
Botswana	Promoting the Adoption of Renewable Energy	UNDP	0.31	0.37

[3] See page 31, *Global Environment Facility, Operational Strategy*.

	by Removing Barriers and Reducing Implementation Costs			
Brazil	Feasibility Study for an Externally-fired Combined Cycle Technology Option for a 40 MW 200,000 lbs/hr Steam Cogeneration Plant at the Usina Acucareira Ester	World Bank International Finance Corporation	0.22	0.44
Cameroon	Household Energy	World Bank	0.18	0.18
China	End Use Energy Efficiency Program	UNDP	0.35	0.75
Egypt	Private Sector Hybrid Solar Fossil Power Plant	World Bank	0.75	0.95
India	Energy Efficiency Improvement in Steel Rerolling Sector	UNDP	0.28	0.34
Lesotho	Promoting Solar Energy Technologies by Capacity Building and Market Creation	UNDP	0.22	0.25
Mali	Household Energy and Universal Rural Access	World Bank	0.26	0.26
Mozambique	Rural Energy Development (Solar PV component)	World Bank	0.28	0.28
Nicaragua	Productive Uses of Hydro-electricity on a Small Scale	UNDP	0.23	0.23
Philippines	Efficient Lighting Market Transformation Project	UNDP	0.10	0.12
Philippines	Rural Power (Renewable Energy Component)	UNDP	0.35	1.25
Tanzania	Promoting the Adoption of Renewable Energy by Removing Barriers and Reducing Implementation Costs	UNDP	0.32	0.42
Thailand	Bangkok Air Quality Management	World Bank	0.30	0.85
Tunisia	Promotion of Increased Use of Wind Energy		0.28	1.01
Vietnam	Energy Efficient Public Lighting	UNDP	0.31	0.37
Vietnam	System Efficiency Improvement, Equitization and Renewables	World Bank	0.35	0.80
Total		**6.7**		**10.87**

* excludes PDF A projects

**Annex I countries.

8. Thirty-six enabling activity projects covering 45 non-Annex I countries have been approved during the reporting period (see Table 3), including five projects addressing initial national communications and 31 addressing priority capacity building needs identified by decision 2/CP.4 (FCCC/CP/1998/16/Add.1).

Table 3: Enabling Activities
(July 2000 - June 2001)

COUNTRY	PROJECT NAME	IMPLEMENTING AGENCY	GEF FINANCING (IN US$ MILLIONS)	TOTAL FINANCING (IN US$ MILLIONS)
Regional (Cook Islands, Micronesia, Fiji, Kiribati, Marshall Islands, Nauru, Samoa, Solomon Islands, Tuvalu, Vanuatu)	PICCAP: Climate Change Enabling Activity (Additional Financing for Capacity Building in Priority Areas)	UNDP	1.00	1.00
Armenia	Additional Financing for Capacity Building in Priority Areas	UNDP	0.10	0.10
Bahamas	Additional Financing for Capacity Building in Priority Areas	UNDP	0.10	0.10
Benin	Additional Financing for Capacity Building in Priority Areas	UNDP	0.10	0.10
Burkina Faso	Additional Financing for Capacity Building in Priority Areas	UNDP	0.10	0.10
Burundi	Additional Financing for Capacity Building in Priority Areas	UNDP	0.10	0.10
Cape Verde	Additional Financing for Capacity Building in Priority Areas	UNDP	0.10	0.10
Ecuador	Additional Financing for Capacity Building in Priority Areas	UNDP	0.10	0.10
Ghana	Additional Financing for Capacity Building in Priority Areas	UNDP	0.10	0.10
Honduras	Additional Financing for Capacity Building in Priority Areas	UNDP	0.10	0.10
Indonesia	Additional Financing for Capacity Building in Priority Areas	UNDP	0.10	0.10
Kyrgyz Republic	Enabling Kyrgyz Republic to Prepare its First National Communication in Response to its Commitment to the UNFCCC	UNDP	0.33	0.33
Lebanon	Additional Financing for Capacity Building in Priority Areas	UNDP	0.10	0.10

COUNTRY	PROJECT NAME	IMPLEMENTING AGENCY	GEF FINANCING (IN US$ MILLIONS)	TOTAL FINANCING (IN US$ MILLIONS)
Lesotho	Additional Financing for Capacity Building in Priority Areas	UNDP	0.10	0.10
Libya	Additional Financing for Capacity Building in Priority Areas	UNDP	0.10	0.10
Mali	Additional Financing for Capacity Building in Priority Areas	UNDP	0.10	0.10
Moldova	Additional Financing for Capacity Building in Priority Areas	UNDP	0.10	0.10
Mongolia	Technology Needs Assessment in Energy Sector	World Bank	0.10	0.10
Nicaragua	Additional Financing for Capacity Building in Priority Areas	UNDP	0.10	0.10
Niger	Additional Financing for Capacity Building in Priority Areas	UNDP	0.10	0.10
Niue	Additional Financing for Capacity Building in Priority Areas	UNDP	0.10	0.10
Palau	Enabling Activity to Prepare its First National Communication and National Implementation Strategy in Response to its Commitment to the UNFCCC	UNDP	0.31	0.31
Peru	Additional Financing for Capacity Building in Priority Areas	UNDP	0.10	0.10
Philippines	Additional Financing for Capacity Building in Priority Areas	UNDP	0.10	0.10
Rwanda	Enabling Activity to Prepare its First National Communication in Response to its Commitment to the UNFCCC	UNEP	0.33	0.33
Sao Tome	Enabling Activity to Prepare its First National Communication for the implementation of the UNFCCC	UNDP	0.35	0.35
Senegal	Additional Financing for Capacity Building in Priority Areas	UNDP	0.10	0.10
Seychelles	Additional Financing for Capacity Building in Priority Areas	UNDP	0.10	0.10
Slovenia	Additional Financing for Capacity Building in Priority Areas	UNDP	0.10	0.10
Sri Lanka	Additional Financing for Capacity Building in Priority Areas	UNDP	0.10	0.10
Thailand	Additional Financing for Capacity Building in Priority Areas	UNDP	0.10	0.10
Togo	Additional Financing for Capacity Building in Priority Areas	UNDP	0.10	0.10

COUNTRY	PROJECT NAME	IMPLEMENTING AGENCY	GEF FINANCING (IN US$ MILLIONS)	TOTAL FINANCING (IN US$ MILLIONS)
Turkmenistan	Additional Financing for Capacity Building in Priority Areas	UNDP	0.10	0.10
Uganda	Additional Financing for Capacity Building in Priority Areas	UNDP	0.10	0.10
Venezuela	Support to the Government of Venezuela for the Preparation of the First National Communication on Climate Change	UNDP	0.35	0.35
Zimbabwe	Additional Financing for Capacity Building in Priority Areas	UNDP	0.10	0.10
Total			**5.67**	**5.67**

9. Table 4 lists 33 medium sized and full climate change projects approved by the GEF Council during the reporting period.

Table 4: Medium sized and Full Projects*
(July 2000-June 2001)

COUNTRY	PROJECT NAME	IMPLEMENTING AGENCY	GEF FINANCING (IN US$ MILLIONS)	TOTAL FINANCING (IN US$ MILLIONS)
Global (Bangladesh, Brazil, Chile, China, Cuba, Egypt, Ethiopia, Ghana, India, Kenya, Nepal, Nicaragua, Sri Lanka)	Solar and Wind Energy Resource Assessment	UNEP	6.81	9.02
Global	Assessments of Impacts and Adaptation to Climate Change in Multiple Regions and Sectors (AIACC)	UNEP	7.85	12.46
Regional (Antigua and Barbuda, Bahamas, Barbados, Belize, British Virgin Islands, Cuba, Dominica, Grenada, Guyana, Jamaica, St Kitts and Nevis, St Lucia, St Vincent and the Grenadines,	Caribbean Renewable Energy Development Programme	UNDP	4.43	16.88

COUNTRY	PROJECT NAME	IMPLEMENTING AGENCY	GEF FINANCING (IN US$ MILLIONS)	TOTAL FINANCING (IN US$ MILLIONS)
Suriname, Trinidad and Tobago, Turks and Caicos)				
Regional (Albania and The FYR of Macedonia)	Balkans Energy Efficiency Program (BEEP)	World Bank International Finance Corporation	6.00	6.00
Cambodia	Promotion of Renewable Energy	World Bank	6.08	16.58
Chile	Removal of Barriers to Rural Electrification with Renewable Energy	UNDP	6.07	32.40
China	Barrier Removal for Efficient Lighting Products and Systems	UNDP	8.14	26.20
China	Targeted Research Related to Climate Change	UNDP	1.72	3.41
China	Wind Power Development Project	UNDP Asian Development Bank	12.00	98.70
China	Demonstration of Fuel Cell Bus Commercialization in China (Phase II – Part 1)	UNDP	5.82	15.93
China	Renewable Energy Scale-up Program, Phase I	World Bank	41.57	171.15
China	Passive Solar Heating for Rural Health Clinics	World Bank	0.78	1.58
Croatia	Removing Barriers to Improving Energy Efficiency of the Residential and Service Sectors	UNDP	4.59	13.25
Croatia	Energy Efficiency Project	World Bank	7.08	30.48
Ecuador	Public Enterprise Reform and Privatization Technical Assistance	World Bank	2.50	27.21
Egypt	Fuel Cell Bus Demonstration	UNDP	6.51	10.31
Hungary**	Public Sector Energy Efficiency Programme	UNDP	4.20	9.00
India	Fuel Cell Bus Development in India (Phase II – Part1)	UNDP	6.28	12.12
Iran	Carbon Sequestration in the Desertified Rangelands of Hossien Abad, South Khorasan, through Community-based Management	UNDP	0.75	1.71

COUNTRY	PROJECT NAME	IMPLEMENTING AGENCY	GEF FINANCING (IN US$ MILLIONS)	TOTAL FINANCING (IN US$ MILLIONS)
Latvia**	Economic and Cost-effective Use of Wood Waste for Municipal Heating Systems	UNDP	0.75	0.75
Lithuania**	Vilnius District Heating Project	World Bank	10.00	65.30
Malaysia	Biomass-based Power Generation and Co-generation in the Malaysian Palm Oil Industry (Phase I)	UNDP	4.03	10.97
Mexico	Pilot Rural Electrification of Off-grid Areas	World Bank	1.30	9.40
Mexico	Demonstration Project of Hydrogen Fuel cell Buses and an Associated for Hydrogen Supply in Mexico City (Phase I)	UNDP	5.42	10.46
Mongolia	Improved Household Stoves in Mongolian Urban Centers	World Bank	0.78	0.78
Namibia	Renewable Energy	UNDP	2.70	7.43
Peru	Renewable Energy Systems in the Peruvian Amazon Region (RESPAR)	UNDP	0.75	0.75
Poland**	Integrated Approach to Wood Waste Combustion for Heat Production	UNDP	0.98	3.01
Poland**	Gdansk Cycling Infrastructure Project	UNDP	1.00	2.5
Romania**	Energy Efficiency Project	World Bank	10.00	50.00
Senegal	Energy Sector Conservation Project	World Bank	5.00	120.58
Turkmenistan	Improving the Energy Efficiency of the Heat and Hot Water Supply	UNDP	0.75	1.71
Ukraine**	Removing Barriers to Greenhouse Gas Emissions Mitigation through Energy Efficiency in the District Heating System (Phase I)	UNDP	2.03	3.03
Total		**184.67**		**861.06**

* Please see the *Operational Report on the GEF Programs, June 2001*, for more detailed project information. The co-financing details of individual projects can be found by accessing the work program on the GEF Website. To determine the appropriate work program, refer to the column marked "WP Entry" in the *Operational Report on the GEF Program.*

** Annex I countries.

III. Implementation of Convention Guidance

10. Guidance to the financial mechanism concerning policies, program priorities, and eligibility criteria is contained in:

(a) Decision 11/CP.1 (FCCC/CP.1995/7/Add.1) *Initial guidance on policies, programme priorities and eligibility criteria to the operating entity or entities of the financial mechanism;*

(b) Decision 12/CP.1 (FCCC/CP/1995/7/Add.1) *Report of the Global Environment Facility to the Conference of the Parties on the development of an operational strategy and on initial activities in the area of climate change*;

(c) Decision 10/CP.2 (FCCC/CP/1996/15/Add.1) *Communications from the Parties not included in Annex I to the Convention: guidelines, facilitation and process for consideration;*

(d) Decision 11/CP.2 (FCCC/CP/1996/15/Add.1) *Guidance to the Global Environment Facility*;

(e) Decision 2/CP.4 (FCCC/CP/1998/16/Add.1) *Additional guidance to the operating entity of the financial mechanism;*

(f) Decision 8/CP. 5 (FCCC/CP/1999/6/Add.1) *Financing of Second Communications to the UN Framework Convention on Climate Change*; and

(g) Decision 10/CP.5 (FCCC/CP/1999/6/Add.1) *Capacity-building in developing countries (non-Annex I Parties)*.

11. The GEF reported on steps it has taken to implement the guidance contained in the above mentioned decisions in its previous reports to the Conference of the Parties (see Annex A).

12. The sixth session of the Conference of the Parties to the UNFCCC (COP-6) and the thirteenth session of the Subsidiary Bodies (SB-13) took place from November 13 - 25, 2000. One of the principal aims of COP 6 was to reach agreement on the implementation details of the Kyoto Protocol. Despite the promising atmosphere at the outset of negotiations, countries were unable to reach agreement on key issues at the end of the two weeks, and the talks were suspended. During this reporting period, the GEF has been continuing to follow the guidance provided by the previous Conference of the Parties.

IV. HIGHLIGHTS OF OTHER RELEVANT ACTIVITIES

13. During the reporting period, the GEF has also undertaken the following activities which are of relevance to its climate change portfolio:

(a) GEF third replenishment

14. The Council requested the Trustee of the GEF, in cooperation with the Chief Executive Officer/Chairman of the Facility, to initiate the third replenishment of the GEF Trust Fund in October, 2000. Donors are aiming to complete the process by early 2002 to assure the continuity of GEF operations. Representatives agreed on the need for a successful and substantial replenishment, as GEF's role and mandate are expected to continue expanding as is the need for assistance. At the October meeting, representatives also welcomed the preparation of the Second Study of GEF's Overall Performance (OPS2) which is carried out by an independent team of international experts and is expected to be completed its work by the end of 2001. The replenishment negotiations are expected to conclude in February 2002.

(b) Capacity Development Initiative

15. The Conference of the Parties at its fifth session approved Decision 10/CP.5, *Capacity-building in developing countries (non-Annex I Parties)*. This decision recognized the important role of the GEF in the area of capacity building. The Capacity Development Initiative (CDI), a strategic partnership between the GEF Secretariat and UNDP, was launched in January 2000, in response to growing attention from Conventions to capacity building. The CDI, a consultative planning process for capacity-building to implement climate change and biodiversity conventions and to address land degradation issues, was carried out in two phases: a) an assessment phase and b) a development of elements of strategic collaboration and targeted action plan for GEF phase.

16. The first phase of CDI consisted of a broad-based assessment of capacity building needs of countries on a regional basis: Africa, Asia/Pacific, Eastern Europe and Central Asia, and Latin America and the Caribbean.[4] The assessment was undertaken by teams of the regional experts in climate change, biodiversity, land degradation and capacity building. The experts consulted actively with a wide range of stakeholders through questionnaires, in-person and phone interviews, regional consultative meetings and Convention outreach meetings to produce CDI reports.[5] In addition to the assessment of country needs, the CDI undertook assessments of capacity building efforts of the GEF and of other bilateral and multilateral institutions.[6] All nine CDI reports were made available to the thirteenth session of the Subsidiary Body for Implementation in September 2000, and the sixth session of the UNFCCC Conference of the Parties (COP6) in November 2000.

17. The second phase of the CDI was to develop a) elements of strategic collaboration for international support to meet identified capacity building needs to address global environment challenges

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4 In addition to these regional assessments, a separate assessment of capacity building needs of Small Island Developing States was undertaken by a regional expert.

5 The Convention outreach for climate change was organized during the twelfth session of the Subsidiary Body for Implementation in June 2000. Regional workshops to review the experts' reports were organized for Africa in Cairo, Egypt (July 31 and August1, 2000); for Asia-Pacific in Beijing, China (July 27 and 28, 2000); for Eastern Europe and Central Asia in Prague, Czech Republic (July 17 and 18, 2000); and for Latin America and the Caribbean in Rio de Janeiro, Brazil (July 31 and August 1, 2000). In addition, assistance was provided to the Alliance of Small Island States to organize a workshop in Apia, Samoa, July 28 and 29, 2000.

6 They are currently available at GEF website:http://www.gefweb.org/Site_Index/CDI/cdi.html

(Strategic Elements) and b) a more targeted action plan outlining how the GEF will support appropriate elements of the strategy (Framework). These Strategic Elements and Framework were developed taking full account of Convention guidance, including a draft UNFCCC framework for developing countries and economies in transition,[7] and the findings of various assessments during first phase. In order to consult widely in a participatory manner, another round of regional meetings were organized.[8] In addition to these regional consultations, the CDI was discussed at the OECD/DAC meeting in Paris, France in March 2001. The CDI document, *Elements of strategic collaboration and a framework for GEF action for capacity building for the global environment* (GEF/C.17/6/Rev.1),[9] was submitted to the 17th Session of the GEF Council meeting (May 2001) for its consideration.

18. In accordance with the GEF Council decisions on the CDI,[10] the GEF Secretariat will present and make the CDI document available during the seventh session of Conference of Parties to the UNFCCC. A consultative meeting will be scheduled with interested delegations during the seventh session to exchange views on the Strategic Elements and Framework.

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7 FCCC/CP/2000/CRP.11 and FCCC/CP/2000/CRP.12

8 Regional consultations were organized for Africa in Cape Town (March 7 and 8, 2001); for Asia-Pacific in Kuala Lumpur, Malaysia (March 1 and 2, 2001); Eastern Europe and Central Asia in Istanbul, Turkey (February 22 and 23, 2001); and Latin America and the Caribbean in Buenos Aires, Argentina (March 7 and 8, 2001). In addition, assistance was provided to the Alliance of Small Island States to organize a workshop in Nicosia, Cyprus (January 19, 2001).

9 The document is available at GEF website:
http://www.gefweb.org/Documents/Council_Documents/GEF_C17/C.17.6.Rev1.pdf

10 The Council, having reviewed document GEF/C.17/6/Rev.1:

(a) takes note of the proposed strategic elements and framework for GEF action to guide a more focused, strategic approach to capacity building for the global environment;

(b) requests the GEF Secretariat to present the proposed strategic elements and the framework to the Conference of the Parties to the Convention on Biological Diversity, the UN Framework Convention on Climate Change and the UN Convention to Combat Desertification and to consult with them on the proposed strategic elements and framework for GEF action;

(c) requests the GEF Secretariat, in collaboration with the Implementing Agencies and Executing Agencies, to initiate processes so that the self assessment of capacity building needs can begin immediately in countries that request such assistance. The Council agrees that country requests for financial assistance up to US$200,000 should be developed, approved and implemented through expedited procedures and further agrees that such requests may be approved by the CEO. For countries requesting financial resources beyond US$200,000 the project proposal should be developed, approved and implemented in accordance with the GEF project cycle. The GEF Secretariat is invited, in collaboration with the Implementing Agencies and Executing Agencies, to prepare and widely disseminate guidelines to assist countries to prepare project proposals for such assistance;

(d) requests the GEF Secretariat to consult with intergovernmental and non-governmental organizations participating in capacity building activities related to the global environment and sustainable development on the proposed strategic elements and framework for GEF action; and

(e) requests the GEF Secretariat to present to the Council at its meeting in April 2002 revised strategic elements and framework for GEF action that take into account the views expressed by the Conferences of the Parties and others consulted pursuant to this decision as well as lessons emerging from the national assessments.

19. The GEF Secretariat is also in a process of developing guidelines for self assessment of capacity building needs, in close collaboration with the Implementing Agencies, UNITAR and executing agencies. The GEF Secretariat is convening a consultative workshop to exchange views on guidelines in Washington, DC, on September 11 and 12, 2001, and will finalize the guidelines by the end of September 2001, for wide dissemination. The Strategic Elements and Framework for capacity building will be reviewed and revised based on the consultations identified by the Council. The Council will consider the revised proposals at its meeting in May 2002.

(c) High Level Panel on Renewable Energy

20. As the principal supporter of renewable energy projects in developing countries and countries with economies in transition, the GEF organized a High Level Panel on Renewable Energy on April 18, 2001, during the ninth session of the UN Commission on Sustainable Development (CSD 9). Mohamed El-Ashry, Chief Executive Officer and Chairman of the GEF and Nitin Desai, UN Under Secretary-General for Economic and Social Affairs, co-chaired the panel discussion which addressed the question of what real opportunities poor countries have to finance their energy needs affordably and sustainably. The panel also highlighted for country delegations practical solutions to their needs for renewable energy financing, including the contribution of renewable energy technologies to sustainable development and strategies for accelerating their use in developing countries. Other panel members include: Syda Bbumba, Energy Minister of Uganda; Jose Goldemberg, Professor of the University of Sao Paulo, Brazil; and Sir Mark Moody-Stuart, Chairman of the Royal/Dutch Shell Group. Among more than 140 participants, the workshop was attended by the Chairman of the CSD9 and Ministers of more than 20 countries, Heads of delegations and Heads of New York missions.

(d) Workshop on PV Market

21. On September 25 – 28, 2000, the GEF organized a workshop "Making a Difference in Emerging PV Markets: Strategies to Promote Photovoltaic Energy Generation Review and Outlook". Sponsored by the Swiss Agency for the Environment, Forests and Landscape and the United Nations Foundation, the workshop was held in Marrakech, Morocco and brought together approximately 100 experts from diverse backgrounds including developing countries, GEF Implementing Agencies, and the private sector. The workshop discussed current and future government programs, private initiatives and opportunities to promote PV electricity generation in developing countries. The participants also debated the critical issues related to the growth and success of PV markets in developing countries.

V. GEF MONITORING AND EVALUATION ACTIVITIES

A. Project Performance Report 2000

22. During the reporting period, the GEF published the Project Performance Report 2000[11]. This GEF Project Performance Report presents the results of the 2000 GEF Project Implementation Review (PIR). This is essentially a monitoring process based upon reporting by the GEF Implementing Agencies. The report also draws upon additional information and insights about the performance of GEF's programs from evaluations and other studies. This broader focus provides insights into important cross-cutting issues and lessons identified from implementation experience.

2000 PROJECT IMPLEMENTATION REVIEW

23. As of June 30, 2000, a total of 753 projects, including full and medium-sized projects as well as enabling activities, had been allocated funding in approved GEF work programs. The total funding for these projects was US$2,947 million. By value, 40 percent were biological diversity projects and 37 percent were in the climate change focal area. The international waters focal area stood for 13 percent, while projects to phase out ozone-depleting substances and multiple focal area projects each had five percent of the total value.

24. During FY2000, 40 full projects, 48 medium-sized projects and 35 enabling activities with total GEF funding of US$485.1 million were approved by the GEF Council. Cumulative disbursements for the entire GEF portfolio increased during the FY2000 to US$1,024 million, up from US$805 million in the year before. The 2000 PIR, which does not cover enabling activities under expedited procedures, includes 171 projects that have been in implementation for at least one year as of June 30, 2000. This represents an increase from 135 projects in 1999 and 119 in the year before.

25. A total of 42 projects (25 percent) were rated by the Implementing Agencies as highly satisfactory. Percentage-wise, this is down from 29 percent in 1999. By focal area, the percentages of projects with highly satisfactory ratings vary from 8 percent in ozone to 29 percent in biodiversity. Only 15 projects (9 percent) were rated as unsatisfactory on implementation progress, prospects for achieving global environmental objectives, or both.

26. General lessons emerged from the review. In the climate change area, the portfolio contains several projects that have been instrumental in bringing about important policy reforms in countries to promote renewable energy development. Efforts to strengthen institutions and raise awareness continue to provide the basis for further promotion of project approaches and concepts. In several cases, projects have encouraged private sector entrants into the market. Capacity building is a central theme in GEF climate change activities. Projects target a wide range of capacity building to public agencies, private sector firms, financiers, consumers, community organizations and NGOs.

27. During the year 2000, one full evaluation and two thematic reviews were completed by the GEF monitoring and evaluation team. All of them found that GEF has had several positive impacts but that there were areas where improvements were needed. The review of the climate change enabling activities concluded that the GEF projects had significantly assisted non-Annex I countries to meet their communication commitments under the climate change convention. Similarly, the GEF support had strengthened the countries capacities in the climate change area. However, the evaluation raised

[11] See the document from GEF home page: www.gefweb.org. Monitoring and Evaluation Program.

questions about the sustainability of the capacity development actions and noted that the emphasis was generally on meeting the convention obligations rather than helping the countries to develop policies and strategies to deal with climate change in the long term. The GEF Secretariat made a presentation on the thematic reviews at the sixth session of the Conference of the Parties.

28. The thematic review of multi-country project arrangements recognized GEF's beneficial role as a facilitator of creating a shared vision and political commitment between countries to address environmental issues pertaining to a transboundary resource. It also noted that creating this commitment is a long-term process and complex projects involving several countries often requires lengthy preparation periods.

29. Two cross-cutting issues were highlighted specifically during the 2000 performance review:

(a) **Addressing Political, Institutional and Economic Risks in Projects**. GEF projects are susceptible to political, institutional and economic risks, which often results in temporary delays and sometimes disruptions. Projects will often achieve all intermediary objectives or direct deliverables, but may not reach the overall objectives due to adverse external circumstances. It was agreed that there is a need to identify how GEF projects could be rendered more robust against external as well as internal risks. Secondly, it is essential to have good monitoring systems in place and to reassess the risk landscape constantly during project implementation. This is particularly important as not all risks can be envisioned at the time of project preparation. It is necessary to be prepared to restructure projects so that they can better respond to changing conditions. This will require flexible procedures and an iterative approach to project management. Canceling a project should be the last resort when the costs of continuing the project clearly exceed the potential benefits; and

(b) **Promoting Demonstration and Replication Effects**. GEF's catalytic role is central to the Operational Strategy. As part of the project review criteria, replicability needs to be fully addressed in every GEF project. GEF must target its dissemination activities in a much clearer manner taking into account the characteristics and needs of different target groups. Especially at the policy-maker level there is still far too little knowledge about GEF. There is scope for significant horizontal exchange of information and lessons amongst projects, countries and across Implementing Agencies. Medium-sized projects could provide a suitable mechanism for promoting actions that aim for horizontal exchange. It also seems that regional networks are not sufficiently exploited. There is frequently a need for knowledge transfer, training and capacity development to enable replication by countries and NGOs.

B. SECOND STUDY OF GEF'S OVERALL PERFORMANCE

30. The GEF Council approved a plan for the implementation of the Second Study of GEF's Overall Performance (OPS 2) in October 2000. The study is expected to contribute to the third replenishment and the second Assembly of the GEF in 2001-2002. The OPS2 is to be carried out by a "fully independent team" which is expected to complete its work by the end of

2001. The OPS2 is designed to assess the extent to which the GEF has achieved, or is on its way to achieving, its main objectives as specified during the restructuring in 1994, and the policies adopted by the GEF Council in subsequent years.

31. The central theme of OPS 2 is the assessment of impacts and results seen in the context of the four GEF focal areas of biodiversity, climate change, international waters and ozone, as well as in land degradation as it relates to these areas. The study will also analyze how GEF policies, institutional structures and cooperative arrangements have facilitated or impeded results, by focusing on four main topics: (i) Operational and Program Results; (ii) Effects of GEF Policies on Results; (iii) Effects of GEF's Institutional Structure and Procedures on Results; and (iv) "Country ownership" and sustainability of results. A key issue is whether GEF policies are adequately responding to the objectives of : the Convention on Biological Diversity; UN Framework Convention on Climate Change; UN Convention to Combat Desertification; and the effectiveness of GEF efforts in supporting, the Montreal Protocol and other relevant conventions.

C. Climate Change Program Study[12]

32. To facilitate the work of the OPS2 team, GEF's Monitoring and Evaluation team, in cooperation with the Implementing Agencies, undertook program studies in the biodiversity, climate change, and international waters focal areas. The role of these program studies is to provide portfolio information and inputs for the OPS2 team's consideration. The climate change program study was undertaken by an inter-agency team comprised of staff from the GEF Secretariat, the three Implementing Agencies, and the GEF Scientific and Technical Advisory Panel with additional support from consultants.

33. During the last decade, the GEF has provided financial support for more than 270 projects for a total GEF allocation of over a billion US Dollars in 120 countries under its climate change focal area. Not counting enabling activities and some short-term measures, there are 120 projects covering 60 countries demonstrating an impressive range of approaches to promoting energy efficiency, renewable energy, and to a lesser extent sustainable transport.

34. The GEF Climate Change Program Study, initiated in June 2000, set out to answer four questions:

(a) Are activities relevant to country needs and global objectives?
(b) What are the most significant implementation issues and lessons?
(c) What are the impacts/likely impacts of GEF projects?
(d) What are the factors influencing sustainability and replication?

35. Eight significant lessons emerging from the climate change program study are highlighted in this synthesis:

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[12] See document GEF C.17/Inf.5 from GEF home page: www.gefweb.org.

(a) *Lessons and good practices are emerging but need to be better incorporated into project designs to promote cross-learning.* One of the key advantages of supporting projects through the GEF Operational Programs is to facilitate learning within the portfolio. This study finds that cross learning is slow and has not happened effectively until more recently. While the annual Project Implementation Reviews do provide a forum for learning, the first concerted effort in the climate change portfolio was the Solar PV cluster review completed in 2000.

(b) *Indirect influences and impacts are key GEF results.* Some of the key impacts of GEF-financed projects are indirect in the sense that they are not explicit objectives of projects. Also, in many cases, significant impacts from projects have been recorded during project preparation (PDF) phases or early in implementation.

(c) *Replication of project results is not well planned and monitored.* In general, the portfolio is still too immature to gauge how well replication is providing global environmental benefits.

(d) *Project risk assessment and management needs to be strengthened.* Project implementation is often hindered by the inability to adjust to changes in the market, policy, macroeconomic conditions, co-financing and government commitment.

(e) *Technological know-how transfer is more difficult* than projects anticipate given problems with technology acquisition and application to domestic conditions.

(f) *Long-term programmatic approaches require sufficient GEF "credibility" and experience in a country.* It takes time to accumulate experience with a set of GEF-financed projects before a wide range of country stakeholders can develop a program embracing the principles of GEF operational programs.

(g) *The GEF's potential for influencing policy needs to be better utilized.* While influence of GEF projects can be seen in three main areas – national codes and standards, electric power sector policies, and rural electrification policies --, the impacts achieved to date are modest.

(h) *Impacts on social benefits and poverty alleviation need to be assessed.* Though there is a fair amount of evidence of beneficiary participation in projects, especially those that cater to rural energy development needs, these experiences need to be documented and systematically integrated into country sustainable development programs.

Annex A

LIST OF REPORTS PREVIOUSLY SUBMITTED BY THE GEF COUNCIL TO THE CONFERENCE OF THE PARTIES TO THE UNFCCC

Report of the Global Environment Facility to the Intergovernmental Negotiating Committee for a Framework Convention on Climate Change on the Restructured Global Environment Facility (A/AC.237/89, December 14, 1994)

Report of the Global Environment Facility to the Conference of the Parties on the Development of an Operational Strategy and on Initial Activities in the Field of Climate Change (FCCC/CP/1995/4, March 10, 1995)

Report of the Global Environment Facility to the Second Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (FCCC/CP/1996/8, June 27, 1996)

Report of the Global Environment Facility to the Third Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (FCCC/CP/1997/3, October 31, 1997)

Report of the Global Environment Facility to the Fourth Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (FCCC/CP/1998/12, September 29, 1998)

Report of the Global Environment Facility to the Fifth Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (FCCC/CP/1999/3, September 29, 1999)

Report of the Global Environment Facility to the Sixth Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (FCCC/CP/2000/3, October 11, 2000)

Annex B

SYNTHESIS OF PROJECTS UNDER IMPLEMENTATION IN THE CLIMATE CHANGE FOCAL AREA

Climate Change

1. Since 1991, approximately US$1.3 billion was provided in grants from the GEF Trust Fund for climate change projects (Tab.1). An additional US$6.9 billion was contributed through co-financing which makes a total of US$ 8.2 billion. Out of this, US$ 94.7 million have been allocated to Enabling Activities, and US$ 21.5 million to Medium Sized Projects (MSP). With this allocation, climate change represents about 37% of the GEF portfolio in financial terms and is responsible for the largest share of leveraged co-financing. A complete listing of GEF project activities in the climate change area is contained in the *Operational Report on GEF Programs(June 2000)*. The allocation of funds to the IAs and OPs is shown in Fig. 1 and 2.

Tab.1 GEF Financed Climate Change Projects, FY1991- FY2001[13]

Type of Project	(FY91-FY94)		(FY 1995-FY2001		Total	
	Number	($million)			Number	($million)
Full	33	230.51	94	903.94	127	1134.45
Full projects (pipeline)	N.A	N.A	61	18.55	61	18.55
Medium-Sized	N.A	N.A	29	21.47	29	21.47
Enabling Activities[14]	5	20.00	179	74.69	184	94.69
Total	**38**	**250.51**	**363**	**1018.65**	**401**	**1269.16**

2. Activities under the well established Operational Program #5 (Energy Efficiency) and Operational Program #6 (Renewable Energy) continue to dominate the portfolio with 19 new full projects (commitments of US$ 145 million and co-financing of US$ 577 million) and six MSPs in FY 2001 based on a strong demand for market barrier removal activities in the recipient countries. This compares favorable with nine full projects and seven MSPs under Operational Programs #5 and #6 in the previous year. The trend in GEF allocation and co-financing is shown in Figure 3. In FY01, 38 project concepts entered into the project pipeline, mostly for Operational Programs #5 and #6, demonstrating a high demand for GEF resources in the climate change area.

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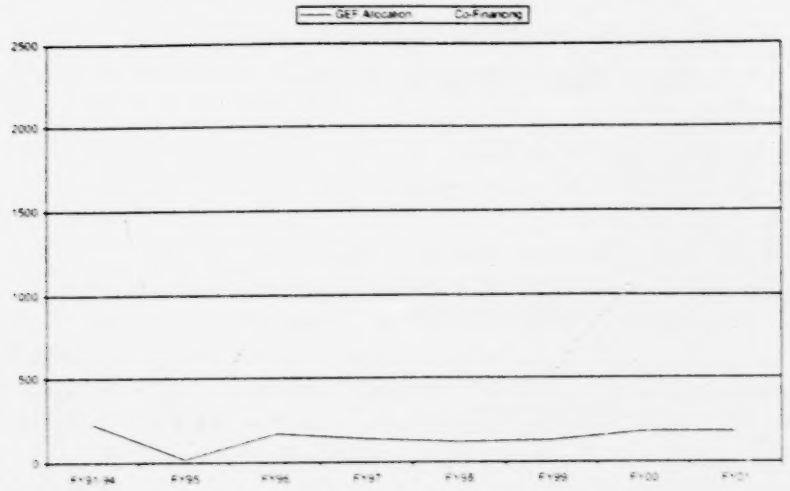
[13] This data excludes projects which are pending or cancelled.
Cancelled: 12 projects GEF: $ 38.98m
Pending: 20 projects GEF: $ 5.43m

[14] Includes six full-size project EAs

Fig. 3 Cumulative Trend in GEF Allocation and Co-Financing (FY91-FY01)



3. Under Operational Program #7 (reduction of long-term cost of low greenhouse gas emitting technologies), no new project has been added. New projects under Operational Program #7 tend to be small in number but large in size and have always been between zero and two new projects per annum. However, progress was made on Integrated Gasification Combined Cycle Technology with recent pipeline entry of the first project concept for IGCC based on coal/ lignite in the Czech Republic, following the recommendation of STAP for a "zero CO2 emission from coal" strategy. In PV, the CEPALCO large scale PV project which is the first project to support the long-term reduction in PV cell cost is under way in the Philippines. Regarding fuel cell technology, the fuel cell bus projects have originally been conceived under Operational Program #7 and subsequently moved to Operational Program #11, whilst stationary fuel cells remain a project under Operational Program #7. In this connection, UNEP and IFC are presently developing an MSP.

4. The pipeline for the relatively new program Operational Program #11 (sustainable transport) is growing. Four new full projects have been added under Operational Program #11 with new commitments of US$ 24m and co-financing of US$ 28m. At pipeline entry, the number of proposals for non-technology activities like urban planning, modal shift etc. is growing which signals the desired diversification in Operational Program #11 activities. It is expected that this trend will be accelerated by learning from the existing projects and PDF activities, and communicating the program objectives and activities to the partner countries and the agencies.

5. The number of new MSPs in FY 01 has come down to eight from 12 MSPs last year. The FY 01 has shown additional benefits of MSPs as an appropriate source for global research funding which aims at structuring complex and expensive projects.

6. GEF has supported adaptation activities so far through enabling activities, focusing on vulnerability and impact assessments and identification of adaptation options. Two regional enabling activity projects stand out in this respect: *Caribbean Planning for Adaptation to*

Climate Change (CPACC) and *Pacific Island Climate Change Assistance Programme* (PICCAP). A global project titled *Assessments of Impacts of and Adaptation to Climate Change in Multiple Regions and Sectors* (prepared by UNEP in coordination with the IPCC) was recently approved for work program inclusion. The goal of this project is to support scientific assessment of climate change impacts and adaptation options for the most vulnerable regions and sectors in developing countries. GEF allocation for this project was US$7.5 million. GEF has also included two adaptation project concepts in its pipeline: a regional project on *Capacity Building for Stage II Adaptation to Climate Change in Central America* (UNDP), and a regional project on *Mainstreaming Adaptation to Climate in the Caribbean* (WB). Both of these project proposals are currently under preparation. Further support of adaptation measures depends on evolving COP guidance consistent with the outcomes from Bonn recently and COP 7 in November. The Secretariat plans to address the topic in the Convention Relations paper to be prepared for the December Council meeting. As adaptation cuts across focal areas (land degradation, biodiversity, international waters, and climate change), coordination and cross-fertilization will be required between the various players within and outside GEF.

7. A few Operational Program #12 Integrated Ecosystem Management projects which are managed under GEF's Land and Water Focal Area have climate change related components, such as the *Oaxaca Sustainable Hillside Management Project*, a targeted research MSP in Mexico which explores carbon sequestration impacts associated with improved land management practices in several production systems. Also, two other targeted research projects, a global MSP on the *Assessment of Soil Organic Carbon at National Scales* and a regional MSP on the *Impacts on and Adaptation of Agro-Ecological Systems in Africa* are currently under review.

8. Most climate projects continue to be defined by a single country. However, two projects in FY 2001 were regional projects addressed to multiple countries with shared boundaries and justified by the greater efficiency and effectiveness of a regional approach. For example, the UNDP Caribbean Regional Renewable Energy Development Program uses the existing CARICOM (Caribbean Conference) institutions to implement barrier removal activities in the region. One new project on assessment of impacts and adaptation to climate change is global, i.e. it is not tied to specific country endorsements. These are typically justified by a technical or technology objective such as the UNEP solar and wind resource assessment or the UNEP fuel cell technology assessment

9. The impact of the climate change program activities has been studied in detail to support the OPS 2. The results of the *Climate Change Program Study* have been presented to the Council in May 2001 (GEF/C.17/Inf.5). Most importantly, the impact study shows that many projects have generated encouraging results beyond the direct project output. A number of projects have had indirect influence and impact in the partner countries in terms of transforming markets for low greenhouse gas emitting technologies and making investments in such technologies economically viable.

10. GEF continues to increase co-operation with private sector stakeholders (investors, NGO) which play a major role in the success of the climate change program, most important being to

ensure the sustainable flow of funds into climate friendly investment and the replication of GEF supported projects which leads to self-sustaining markets for energy efficiency and renewable energy technologies. The climate change program has stepped up the private sector activities beyond the traditional supply role of private business towards early consultation and strategy development. For example, the UNDP fuel cell bus projects and UNEP assessment of fuel cells included extensive consultation with private sector developers of fuel cells. Recent project efforts by both the World Bank and IFC are relying more heavily on the private sector as an effective mode for implementing projects, such as in the Uganda Energy for Development Project and a Philippines off-grid power project under development. The emphasis is on solidifying the government commitment and policy structure to encourage direct participation and investment from the private sector. UNEP and IFC have recently engaged the PV industry in a dialogue about future large scale solar cell market development in the context of the Philippines Cepalco project and the UNEP Conjunctive PV/Hydro Assessment. UNEP is also developing its new SANet program in collaboration with trade associations and business groups interested in facilitating more sustainable business practices.

11. Recent inclusions in the work program are good examples for improved private sector involvement in the climate change program:

- The China: Renewable Energy Scale-up Program (CRESP) which is implemented by the World Bank aims at creating a renewable energy market environment which will eventually lead to investments of US$ 10 billion over ten years, most of which will come from the private sector.
- The PV market development initiative involves the PV industry and utilities already at the conceptual stage in order to identify those GEF activities which are helping the private sector to grow a sustainable PV market.
- The Eastern Europe ESCO Strategy which is under development and will give a focus to ongoing and future ESCO projects in the region puts the private sector ESCOs at the center of the initiative.
- The fuel cell bus development projects consult closely with international private sector entities which have reacted by forming a business development group for fuel cell busses in emerging markets.
- Energy efficiency projects in Croatia, Romania and Hungary use GEF non-grant financing (contingent loans and grants, guarantee fund) in response to private sector demand.

12. Larger-scale, long-term programmatic efforts are emerging in the climate program, notably in China and India. The mention of the World Bank China CRESP project supports a Government endorsed effort to implement a Mandated Market Share (or Renewable Energy Portfolio Standard, nominally estimated at 5%) for renewables for all electric power capacity additions over the next decade. CRESP is expected to induce associated investments of around $7-10 billion over its lifetime and $212 million in Phase 1. It is estimated that by 2010, the scale up will result in an incremental annual production of electricity from renewable sources of 38 TWh, equivalent to about 7.9 GW of installed capacity. The carbon savings of the project are estimated at 187 MtC. This project signifies a significant shift in approach (there are no hardware subsidies associated with the GEF funds; it is for a very large and sustained policy and TA effort) and government commitment, and it will engage the private sector directly for

most of these investments. This project highlights not only mainstream energy supply but important opportunities for industrial development of new technology areas. More recently, progress has been made on a Climate Change Partnership for India to tackle both energy efficiency and renewable energy efforts, and instituted in conjunction with and in support of reform efforts. India is similarly capable of significant industrial growth in renewable technologies.

13. During 2000-2001, the GEF climate program continued to develop a number of new strategic directions. These directions have been stimulated by new dialogues and inputs, such as the STAP Power Sector Reform workshop in India in June 2000, the GEF-sponsored Morocco PV workshop in September 2000, the GEF/IFC/UNEP workshop on fuel cells in Paris in May 2001, the Climate Change Program Study by the GEFSEC Monitoring and Evaluation Unit, GEF participation in the G-8 Renewable Energy Task Force, and various ongoing project preparation activities and dialogues between GEF Implementing Agencies and GEF client countries. These strategic directions include:

(1) Increasing incomes and social benefits with productive uses of renewable energy in rural areas. Projects which utilize renewable energy in a way that generates income or other productive social benefits for rural populations provide important development benefits, while offering the means for rural populations to afford greatly expanded use of renewable energy. Such applications go beyond the provision of lighting with solar home systems to include agriculture, small industry, education, and drinking water. Productive-use applications are underrepresented in the current portfolio.

(2) Fostering rural entrepreneurship and employment from renewable energy. Widespread delivery of energy services based on renewable energy will only be possible with sufficient entrepreneurial infrastructure in rural areas. The GEF can help foster this infrastructure, incrementally helping new or existing enterprises incorporate renewable energy into their business plans. A strategy that results in a greater number of projects that explicitly incorporate rural energy enterprise development, through both technical assistance and financing, should result in more local entrepreneurship and employment, and even further towards a new paradigm for sustainable energy development in rural areas.

(3) Testing new ways to share investment risks with the private sector (i.e., through guarantee mechanisms and contingent grants). Thinking on contingent finance mechanisms continues to evolve with new and second-generation approaches in recent projects entered into the work program or pipeline.

(4) Assisting client governments to integrate renewable energy and efficiency into ongoing processes for restructuring utilities and electric power delivery. Such assistance represents a large opportunity for the GEF, still largely unutilized, to help governments focus on regulatory frameworks, planning, policy, and investment strategies that accelerate the competitiveness and viability of renewable energy and energy efficiency relative to conventional generation.

(5) Helping to align donor, government, and other stakeholder actions to effectively accelerate investments and policies. GEF participation in the G-8 Renewable Energy Task Force was a first step in this direction. The GEF experience and lessons with its renewable energy project

portfolio has and can continue to contribute to understanding among a variety of donors, governments and other stakeholders on effective approaches, models, and modes of collaboration.

(6) Helping client countries plan, evaluate and invest in emerging distributed generation opportunities like grid-connected solar PV and fuel cells. Countries need the capacity and tools to understand these opportunities and lay the groundwork for their introduction in a proactive, rather than reactive manner--even "leapfrogging" technological development in electric power in developed countries.